United States Circuit Court of Appeals,

SECOND CIRCUIT.

RCA MANUFACTURING COMPANY, INC.,
Complainant-Appellant and Appellee,

—against—

PAUL WHITEMAN, W. B. O. BROADCASTING CORPORATION,
Defendants-Appellees and Appellants,

and

ELIN, INC.,
Defendant.

ANSWERING BRIEF OF COMPLAINANT-APPELLANT AND APPELLEE, RCA MANUFACTURING COMPANY, INC.

DAVID MACKAY,
Solicitor for Complainant-Appellant and Appellee, RCA Manufacturing Company, Inc.

DAVID MACKAY,
LAWRENCE B. MORRIS,
JEROME H. ADLER,
Of Counsel.

THE COURT PRESS, N. Y. C.

INDEX.

TABLE OF CASES CITED:

A.

PAGE

B.

C.

D.

PAGE

E.

F.

G.

H.

I.

PAGE

Y.

TEXTS, TREATISES AND PERIODICALS:

STATUTES:

United States Circuit Court of Appeals,

SECOND CIRCUIT.

RCA Manufacturing Company, Inc.,
Complainant-Appellant and Appellee,

—against—

Paul Whiteman, W. B. O. Broadcasting Corporation,
Defendants-Appellees and Appellants,

and

Elin, Inc.,
Defendant.

ANSWERING BRIEF OF COMPLAINANT-APPELLANT AND APPELLEE, RCA MANUFACTURING COMPANY, INC.

Introductory Statement.

Since several of the points separately urged by Whiteman and W. B. O. are supported by RCAM and since other contentions urged by these defendants are similar and thus may be treated jointly, analysis of the main Whiteman and W. B. O. briefs can best be presented in this combined answering memorandum.

There is no necessity to discuss further the common law right of intellectual property arising from RCAM's independent contributions to the phonograph record. Both RCAM and Whiteman have presented the legal background in explanation of this property right (RCAM Brief, pp. 10-15; Whiteman Brief, pp. 2-4) and RCAM has urged that the scope of the decree of the

District Court should be broadened to include a recognition of the right in RCAM. W. B. O. denies the existence of this right in the artist (W. B. O. Brief, pp. 30-36), and, together with Whiteman (Whiteman Brief, p. 38), will contest its existence in the recorder.

Similarly, the issue of Whiteman's right to affirmative relief against W. B. O. has been treated by W. B. O. (W. B. O. Brief, pp. 47-48) with logic and authority similar to that advanced by RCAM (RCAM Brief, pp. 15-17). Hence, there is no need for further elaboration.

RCAM, as Appellee, will devote this answering brief to a defense of the District Court's Judgment and will urge that it be affirmed by this Court for the following reasons:

I. Whiteman assigned all of his rights to RCAM, except that under the 1934 agreement he reserved his rights pertaining to radio broadcasts of his records (*infra*, pp. 3-16).

II. There was no publication of the phonograph records involved in this action (*infra*, pp. 17-22).

III. The legends on RCAM's record labels constituted a valid and legal servitude (*infra*, pp. 22-26).

IV. W. B. O. has competed unfairly with RCAM but not with Whiteman, except insofar as the 1934 agreement is involved (*infra*, pp. 27-35).

V. W. B. O. deliberately induced RCAM's original purchaser and wholesale distributor to violate the terms of its agreement to sell records only for non-commercial use in homes (*infra*, pp. 35-36).

VI. The judgment of the District Court properly embraced all proved actions of W. B. O. in violation of RCAM's rights (*infra*, pp. 37-38).

POINT I.

Whiteman's artistic contribution and all rights arising therefrom belong to his employer, RCAM, (a) by virtue of his employment, (b) by virtue of the 1924 and 1931 agreements; the 1934 agreement merely effected a retention of his rights insofar as radio broadcasts are concerned and nothing more.

Whiteman assigned all of his rights in phonograph records of his performances made pursuant to the 1924 and 1931 agreements with RCAM (Exs. 4, 5; 1012-1022, 1024-1026). Cursory reading of these documents and the relevant testimony will demonstrate that in the broadest terms Whiteman, for adequate consideration, granted to RCAM every conceivable right which he may have had in the records embodying his performances. Even the efforts of his three eminent Philadelphia counsel in a twenty-nine page argument cannot alter the clear purport of these documents (Whiteman Brief, pp. 2-31).

Before proceeding, however, to an analysis of the agreements themselves, it seems appropriate to observe briefly that even in the absence of the contracts, Whiteman, by implication of law, parted with, and RCAM, by paying him a bargained-for consideration, acquired all of his rights.

(A) Whiteman's Rights Passed to RCAM by Virtue of His Employment.

When one engages another to produce artistic or intellectual work with the intention that the product shall be sold by the one for whom it is made for his exclusive profit and use, the entire property interest in the product passes to him. Only an express reservation of rights will alter the effect of this rule [*Solomons* v. *United*

States, 137 U. S. 342 (1890); *Gill* v. *United States*, 160 U. S. 426 (1895); *Bleistein* v. *Donaldson Lithographing Company*, 188 U. S. 239 (1902); *Standard Parts Co.* v. *Peck*, 264 U. S. 52 (1923); *United States Ozone Co.* v. *United States Ozone Co. of America*, 62 F. (2d) 881 (C. C. A. 7, 1932); *Colliery Engineer Co.* v. *United Correspondence Schools Co.*, 94 Fed. 152 (S. D. N. Y. 1899); *Lumiere* v. *Pathé Exchange, Inc.*, 275 Fed. 428 (C. C. A. 2, 1921); *Lumiere* v. *Robertson-Cole Distributing Corp.*, 280 Fed. 550 (C. C. A. 2, 1922), *cert. den.* 259 U. S. 583; *United States* v. *Houghton*, 20 F. (2d) 434 (D. Md. 1927); *St. Louis & O'Fallon Coal Co.* v. *Dinwiddie*, 53 F. (2d) 655 (D. Md. 1931)]. And the rule has been expressly embodied into the Copyright Law of the United States (17 U. S. C. §62).

This principle was early applied to works of artistic nature in *Dielman* v. *White*, 102 Fed. 892 (D. Mass. 1900). There a mosaic artist, engaged to compose panels in the Library of Congress and permitted to inscribe thereon the legend "Copyright, 1896, by Frederick Dielman", was held to have no right to restrain the taking and marketing of photographs of his work. The Court stated:

> "If a patron gives a commission to an artist, there appears to me a very strong implication that the work of art commissioned is to belong unreservedly and without limitation to the patron. * * * that the patron has a right to make and permit, to any extent, reproductions of the work of art sold to him, appears to me plain, unless the contrary is plainly set out in the contract" (p. 894).

This Court has recently approved that doctrine in *Yardley* v. *Houghton Mifflin Co., Inc.*, 108 F. (2d) 28 (C. C. A. 2, 1939). There the successors of an artist who had contracted without reservation to paint a mural for the City of New York were denied any right in the copyright and their suit to prevent reproduction of the

mural by the defendant was dismissed. The District Court had declared:

> "When a man, hereinafter referred to as a patron, contracts with an artist to paint a picture for him, of whatever nature it may be, the contract is essentially a service contract, and when the picture has been painted and delivered to the patron and paid for by him, the artist has no right whatever left in it." [25 F. Supp. 361, 364 (S. D. N. Y. 1938, Woolsey, *D. J.*)]

This Court, approving the District Judge's conclusions and relying upon the *Dielman* case and on analogy of the photograph cases (*Lumiere* v. *Pathé Exchange, supra; Lumiere* v. *Robertson-Cole Distributing Corp., supra*), stated:

> "We believe, therefore, that the general rule is applicable and that the right to copyright should be held to have passed with the painting, unless the plaintiff can prove that the parties intended it to be reserved to the artist" (p. 31).

Uproar Co. v. *National Broadcasting Co.*, 81 F. (2d) 373 (C. C. A. 1, 1936), *cert. den.* 298 U. S. 670, cited by Whiteman (Whiteman Brief, pp. 10-11), is neither contradictory to these authorities nor relevant to the instant case. There a radio comedian employed to prepare scripts and perform weekly programs advertising the product of his sponsor was held to retain the literary property in his scripts. The decision is based, however, on the clear purpose and intent of the parties (a) that the scripts were to be used solely to advertise the sponsor's product during radio broacasts, and (b) that the scripts were not intended to be used by or have any value to the sponsor after the broadcasts. Phonograph records, on the other hand, (a) are produced to be used as the recorder's product, and (b) have no use to the recorder until after the performance which they embody takes place.

The evidence in this case demonstrates that the 1924 and 1931 agreements pursuant to which Whiteman was engaged by RCAM contained no reservations of any of Whiteman's rights. The 1934 agreement, although reserving Whiteman's rights in radio broacasts of records made thereunder, did not grant to Whiteman any of RCAM's rights. Hence, as to the first two contracts, he retained nothing; as to the last agreement he retained an incomplete power which rendered him powerless to exercise anything but a veto over RCAM's permitting radio broadcasts of records embodying his performances. These points will now be discussed.

(B) The Agreement of April 30, 1924.

On its face and especially in paragraph 3 thereof the 1924 agreement (Ex. 4; 1012-1022) obviously contemplates and provides that any and all rights in Whiteman's recorded performances shall be vested in RCAM. It is difficult to imagine more broad or all-embracing language.

But even assuming that interpretation of its clear terms be required, the explanation was promptly and unhesitatingly forthcoming from the lips of the *defendant's* witness, Erdman. When he was asked by the Court:

> "Q. Did those words 'mechanical, electrical or other means for disseminating or transmitting the same' have a special meaning in the trade?" (878-879),

he correctly responded:

> "A. By recording on wax, either mechanically or electrically. *By the transmission either by radio or wired programs. The meaning was that we would have full control over the artists with respect to his broadcasting and his recording*" (879). (Italics ours.)

Thus exploded Whiteman's attempt to delimit the wide purport of this language and to have it mean only that

Whiteman conveyed rights to record by electrical means as distinguished from the older acoustical method of recording (Whiteman Brief, pp. 24-26). That this could hardly be so is further evidenced by the fact that electrical recording first made its appearance almost a year after the date of this contract (452, 830, 962-963).

The efforts of the defendant Whiteman to attribute some vague and almost occult significance and meaning to the word "*license*" seem almost ludicrous when read in their context. Whiteman, after objection sustained, and as a tender of proof (674-687), and the defendant's witnesses King (801-802) and Erdman (858-866), attempted to convey the impression that the word "license" throughout the years was a topic of discussion between artist and recorder and that at all times it was carefully explained that the right to "license" meant only the right of RCAM to ship and lease matrices to foreign associates or subsidiaries. This testimony would have the Court believe that the only contemplated licensee was a foreign producer and that this was common knowledge in the trade. The defendant Whiteman testified that he understood and knew this to be the fact although this alleged attention to detail would seem to be belied by the general tenor of his testimony (681).

Indeed, cursory examination of this contract reveals the utter improbability of these witnesses' assumptions. The word "license" first occurs in paragraph "3" of the 1924 agreement in no possible relationship to the word "matrix". RCAM is granted the right to

> "* * * *license or sell* * * *, in all parts of the world, *records* of the performances of the Orchestra * * *" (1016). (Italics ours.)

The word "license" occurs once again toward the end of paragraph "3" where the artist grants to RCAM the right to use his photograph in connection

> "* * * with the advertisement and with the *license or sale of such records* * * *" (1017). (Italics ours.)

No place in the agreement is the word "license" coupled with the word "matrix". Grave doubt can therefore be cast upon the interpretation offered by Whiteman's witnesses. It would more logically and correctly be concluded that the dictionary meaning of the word was intended by the parties, especially in view of the testimony of the witness Egner, whose experience in the industry embraced a period of sixteen years (996-997), that the word "license" had and has "no peculiar significance" and "* * * was our law department's way of saying they were conveying a right" (995).

But even attributing to the word "license" the highly strained and illogical meaning which Whiteman advances, the remainder of paragraph "3" of the 1924 agreement certainly conveys all-inclusive rights. RCAM certainly could acquire no more from Whiteman than

> "* * * all rights and equities of himself and of the Orchestra and of each of its members in and to the matrices and records upon which are at any time reproduced the performances herein referred to" (1017).

Indeed, this Court has had occasion to consider the effect of language practically identical to the 1924 agreement. In *Ingram* v. *Bowers*, 57 F. (2d) 65 (C. C. A. 2, 1932), aff'g. 47 F. (2d) 925 (S. D. N. Y. 1931), as the record on appeal reveals, this Court dealt with two contracts between Victor Talking Machine Company, RCAM's predecessor, and Enrico Caruso. One contract stated in part in paragraph 3:

> "The Artist hereby grants to the Victor Company the right, at any and all times during the period of this agreement and thereafter, to manufacture, advertise and license or sell, and any or all these rights and powers, in all parts of the world, records of his voice in selections of which approved master records have been heretofore made or shall hereafter be made

> • • • *and likewise grants all rights in and to the matrices and records upon which have been or shall be reproduced the performances herein referred to.*" (Italics ours.)

The other contract contained no such granting clause.

Caruso's administratrix sought to recover taxes which had been levied on royalties received by her intestate from the sale of phonograph records outside of the United States. The plaintiff contended that her intestate had a proprietary interest in his records; that, consequently, income derived by him from foreign sales of such records emanated from property having a foreign situs; and hence, that such income arose from a source outside of the United States and was not taxable. This Court held, however, in an opinion by Learned Hand, *J.*, that the agreements were *for personal services only* and that Caruso had no proprietary interest of any kind in the records. Furthermore, the Court declared that if any statutory copyright existed, the record manufacturer owned it, since any implied reservation thereof would conflict with the plainly expressed intent of the contract that the recorder should have the fullest enjoyment of its products.

Another determination of the legal effect of such or similar language on the rights of the parties involved in this litigation was made in *Noble* v. *One Sixty Commonwealth Avenue, Inc.*, 19 F. Supp. 671 (D. Mass. 1937). There a recording artist, employed by RCAM by agreement similar to but not even as definite as the 1924 Whiteman contract, sought to enjoin the playing of records embodying his renditions by the defendant restaurant for the benefit of its patrons. The pleadings set forth the agreement between Noble and RCAM, a portion of which read:

> "You (Noble) grant to the Company, its associates or subsidiaries, the right to sell, lease or otherwise

dispose of, or to refrain therefrom, throughout the world, records embodying the performances to be recorded hereunder upon such terms as the Company may approve. *You * * * likewise grant the Company all rights in and to the matrices and records upon which are reproduced the performances to be made hereunder.*" (Parentheses and italics ours.)

The Court granted defendant's motion to dismiss, stating:

"Looking to the contract between the plaintiff and the RCA Manufacturing Company, it is clear that *there is no reservation contained in that contract of any rights by the plaintiff.* He gave to the RCA Manufacturing Company 'the right to sell, lease or otherwise dispose of' his recordings * * *

Considering the contract between Noble and RCA Manufacturing Company, it is apparent that Noble for a consideration granted to the company the absolute right to 'sell, lease or otherwise dispose of' his records throughout the world. *This is a broad and all-inclusive grant. Had the recording company seen fit to limit the use of its records to home use, it might have acquired rights which it could protect as against this defendant* * * *" (p. 672). (Italics ours.)

On the basis of its clear language, the evidence, and judicial expression of the rights and liabilities created thereby, it is indisputable that under the 1924 agreement Whiteman retains no rights. Whatever he had he sold to RCAM to be asserted or not, as it desires.

(C) The Agreement of September 8, 1931.

Nor was any reservation made by Whiteman in the 1931 agreement (Ex. 5; 1024-1026) of the rights he now asserts. Consequently, all rights passed to RCAM (*Dielman* v. *White*, 102 Fed. 892; *Noble* v. *One Sixty Commonwealth Avenue, Inc.*, 19 F. Supp. 671; *Yardley* v. *Houghton*

Mifflin Co. Inc., 108 F. (2d) 28). This Court, construing a similar contract, also silent on the vesting of these rights, has said:

> "If it was intended to give * * * an interest in them, some such reservation was to be expected, and there was none * * *" (*Ingram* v. *Bowers*, 57 F. (2d) 65, 66).

Therefore, without more, the 1931 agreement on its face shows that Whiteman surrendered all rights he might otherwise have had in records made pursuant to this contract.

But Whiteman was permitted to go to all lengths in an attempt to prove an oral arrangement outside the contract. The witness Erdman was rushed into the breach with alleged evidence that he had negotiated this agreement in behalf of RCAM and that Whiteman orally had reserved his rights. The alleged negotiations had taken place in Chicago (814-824). However, when on cross examination Erdman's memory was refreshed by the presentation to him of RCAM's expense accounts and other records, he readily admitted that he had no recollection of being in Chicago later than three months before the date of the agreement, September 8, 1931 (890-891); and, the other evidence revealed that Erdman had not been in Chicago for many months before the date of the agreement (968-969).

Mr. C. Lloyd Egner, manager of RCAM's record department and Erdman's immediate superior in 1931 (986), stated that Erdman had never been authorized to negotiate the 1931 contract, nor did he negotiate it (993), but that he, Egner, had personally negotiated and settled the terms of the 1931 agreement with Whiteman. From his expense slips, Egner was able to state the date and place of his conference with Whiteman. They had discussed and reached an agreement (987-992). Egner then returned to RCAM's home office and reported the substance of the agreement to the law department, which prepared

the document (Ex. 5; 1024-1026; 992). The agreement had no definite term (991-992) and remained in effect until the 1934 agreement displaced it (Ex. 6; 1027-1036; 970). Only after the document was executed did Erdman go to Chicago, and then solely for the purpose of supervising Whiteman's recording sessions (994). If any further doubt as to the terms of the 1931 agreement existed, Whiteman himself, who remembered discussing the contract with Egner (774), declared that everything, except financial arrangements, was to be governed by the same terms and conditions as had been embodied in the previous 1924 agreement (726-728). From all this evidence, the District Judge properly found that:

> "The agreement arrived at by RCA Victor Company, Inc. and defendant Whiteman on September 8, 1931, was that Whiteman would make records for the company on the general conditions expressed in the agreement of April 30, 1924, with the exception that the financial terms were to be as expressed in the letter of September 8, 1931 and the further exception that the agreement was not for any stated period" (Finding 21; 1245).

Since there was no express reservation, all of Whiteman's rights in records produced under the 1931 agreement passed to RCAM to be asserted or not, as it desires.

(D) The Agreement of September 5, 1934.

In the 1934 agreement (Ex. 6; 1027-1036), Whiteman for the first time in his course of dealing with RCAM reserved a right to himself. Paragraph 2 states:

> "It is understood that the Company does not acquire the right to manufacture or sell, or otherwise dispose of, records for broadcasting" (1029).

But this reservation was of a limited right; it applied

only to radio broadcasting and was a reservation only of Whiteman's own right. No place in the agreement is there to be found an assignment by RCAM to Whiteman of its rights in records and their radio broadcast. Therefore, the District Court correctly concluded that the 1934 agreement

> "* * * did not divest RCA Victor Company, Inc. of its right to restrict the use of the records to talking machines, nor did it give to defendant Whiteman alone the right or power to license the use of the records for broadcasting purposes" (Conclusion 11; 1302).

(E) Background and Practical Construction of the Contracts.

We deliberately borrow this sub-heading from Whiteman's brief in order to focus attention on the barren attempt of Whiteman's counsel to show that radio broadcast was not in the contemplation of the parties at the time they executed the 1924 and 1931 agreements (Whiteman Brief, pp. 26-28).

Phonograph records have been broadcast by radio stations since the inception of radio as we know it and even before the first broadcaster was licensed in the United States (Archer, History of Radio to 1926, pp. 98, 199, 200, 208 (1938); United States Department of Commerce Reports: Third National Radio Conference). This court will properly take judicial notice of the fact that on September 15, 1921, the first radio broadcasting station was licensed by the Federal authorities and that by 1922, three hundred and eighty-two stations were in operation. (See Certificate, Federal Communications Commission, January 3, 1939, annexed hereto as Exhibit A.) Moreover, the testimony in this case reveals that broadcasting came into commercial use at the outset of the 1920's (135; 435; 806; 964; 999-1000), and that certainly

by 1922 phonograph records were commonly broadcast (965; 1000-1001).

Thus, long before the parties negotiated the 1924 agreement (Ex. 4; 1012-1022), broadcasting had become a flourishing industry, with hundreds of stations on the air, many of which were using phonograph records as part of their programs. Using this situation as a backdrop for the scene existing at the time the parties entered into the 1924 agreement, and considering the express language of that agreement, it is evident that the parties not only knew of the use of records for radio broadcast purposes but intended that all of Whiteman's rights in connection therewith should pass to RCAM.

Moreover, these rights were asserted by RCAM. As will be shown in Point II of this brief (*infra*, pp. 18-19), as early as 1930 RCAM affirmatively licensed the use of its records by certain broadcasters (Exs. 38-41B; 1102-1142). In 1932 (131-132), a general letter was sent to all inquirers regarding the first restricted use notice appearing on RCAM's record labels (1261-1262) which advised of the rights asserted by various groups and stated that "there are certain apparent rights of the record manufacturer, itself, which are encroached upon by the use of these records for broadcasting purposes" (Ex. 12; 1054-1056). In the same year, affirmative permission to use RCAM records was extended to Station WTIC (Ex. 8; 1041-1044). In 1934, it licensed the use of records in motion pictures (Ex. 11; 1052). In 1937 the second restricted use notice was adopted (1262-1265). Shortly thereafter a new letter was sent to all broadcasters, including W. B. O., advising them in detail of RCAM's rights (Ex. 32; 1076-1081). In 1937, RCAM also affirmatively licensed automatic phonograph operators (Ex. 10; 1044-1052). In the same year, it permitted Station KYW and some sixteen other stations to use its records in connection with its advertisements (Ex. 7; 1037-1040; 170-171). Thus, RCAM continually and affirmatively dealt with its rights and did not, as a

result of *Waring* v. *WDAS Broadcasting Station,* 327 Pa. 433 (1937), suddenly awake to assert a right theretofore ignored.

It is therefore apparent that

> "All the common law property rights of the defendant * * * passed to complainant * * * by virtue of his contracts * * *, except as to renditions and interpretations embodied in phonograph records produced * * * under the agreement of September 5, 1934, as to which records defendant Whiteman did not grant * * * his right to permit the use thereof for radio broadcast purposes" (Conclusion 10; 1300-1301).

(F) Whiteman Cannot Complain of W. B. O.'s Broadcasts of His Records Made Under the 1924 and 1931 Agreements.

(i) Since Whiteman thus parted with all of his rights and equities in records made under the 1924 and 1931 agreements with RCAM, he cannot now complain that anyone is infringing upon those rights. Whiteman received what he then thought was adequate consideration for his services in making records. By entering into exclusive agreements with RCAM he foreclosed himself during the term thereof, from recording for any other company. His compensation covered this contingency and whatever damage might result to him therefrom. By the same token, he knew that his phonograph records might be played over the air. Hence, it is to be assumed that his bargained-for compensation also was a hedge against any damage which might result to him by reason of radio broadcasts of his records. Thus, with open eyes, he gave to RCAM

> "* * * the right to produce and reproduce the recorded performances * * * by any and all mechanical,

electrical or other means for disseminating or transmitting the same" (Ex. 4; 1016).

He cannot now assert ownership in what he sold to RCAM.

(c) He further divested himself of the

"* * * right to make use of his name and of the name of his Orchestra and the names and photographs of the members of his Orchestra in connection with the manufacture, with the advertisement and with the license or sale of such records and in any and every way in connection with sound reproduction and transmission * * *" (Ex. 4; 1016-1017).

Moreover, Whiteman is a public figure of great fame. His name and photograph are widely known. He seeks publicity. Can he, therefore, invoke a "right of privacy"? (Whiteman Brief, p. 38). The authorities look with suspicion upon the sudden desire of a public figure for the repression of his name [*Sidney* v. *A. S. Beck Shoe Corp.*, 153 Misc. 166 (N. Y. 1934)].

Consequently, insofar as the 1924 and 1931 agreements are concerned, Whiteman for adequate consideration assigned to and constituted RCAM the depositary of all his rights. If these rights were thereafter violated, RCAM was damaged, not Whiteman. For, under the 1924 and 1931 agreements, RCAM had already given to Whiteman what he considered adequate compensation for any harm that might thereafter come to him from the use of these records. Under the 1934 agreement, he did not so bargain away his rights. Hence, he can now assert them but only insofar as damage results to him from radio broadcast of his records.

POINT II.

There was no publication of the phonograph records involved in this action.

W. B. O. urges that the sale of records constituted publication or dedication thereof with resulting loss of any common law property rights which might exist therein (W. B. O. Brief, pp. 36-43). But the lower court expressly concluded, in view of the evidence and RCAM's conduct throughout the years, that:

> "The sale of phonograph records produced and manufactured by complainant and its predecessor companies with notices appearing on the labels restricting the use thereof as set forth in the Findings of Fact herein does not constitute a dedication, publication or abandonment of complainant's said right therein or of the common law property right of the recording artist whose interpretations and renditions are recorded thereon, * * *" (Conclusion 3; 1296-1297).

This conclusion was correct as the following discussion will demonstrate.

It is generally stated that common law copyright survives only until there has been a dedication or abandonment to the public. Dedication or abandonment is said to arise from publication. But such a general statement of the rule obscures the intrinsic question presented in each case, namely, what constitutes the dedication or abandonment? The following discussion will demonstrate that no publication occurred in the instant case.

Certainly the performance of RCAM's records in homes or otherwise does not constitute a publication. Performance or exhibition, either public or private, does not constitute abandonment of an author's common law property right. [*Ferris* v. *Frohman*, 223 U. S. 424, 435 (1911);

Palmer v. *DeWitt*, 47 N. Y. 532, 543 (1872); *Uproar Co.* v. *National Broadcasting Co.*, 81 F. (2d) 373 (C. C. A. 1, 1936); *Werckmeister* v. *American Lithographic Co.*, 134 Fed. 321 (C. C. A. 2, 1904).] Defendant, therefore, can point to no feature of the performance of RCAM's records as a basis for a claim of publication, dedication or abandonment.

Nor does the marketing of these records by RCAM or its predecessors result in a loss of the common law right. For, it is axiomatic that the literary property right cannot be lost unless there accompanies the alleged dedication, an intent or indication on the part of the proprietor to abandon his work to the public. RCAM's conduct clearly negatives any such intention, as the following facts demonstrate:

(1) As far back as 1909 RCAM's predecessor brought suit in the United States District Court for the Eastern District of New York (*Fonotipia Limited* v. *Bradley*, 171 Fed. 951), to enjoin purchasers from "dubbing" of its records on to new records (146).

(2) In the beginning of 1930 RCAM was asserting and dealing with its right to license the use of its records for radio broadcast purposes (Exs. 38-41B; 1102-1142).

(3) Between November 1932 and August 1937, RCAM printed upon its record labels the legend "Not Licensed for Radio Broadcast" (1261-1262); in November 1932, in response to inquiries concerning this legend, it sent out a form letter (Ex. 12; 1054-1056) stating, among other things, that there are certain apparent rights of the record manufacturer itself which are infringed by the use of its records for broadcasting purposes (131-132).

(4) In 1934 RCAM licensed certain of its records for use in connection with motion pictures (Ex. 11; 1052).

(5) In 1937 RCAM licensed the use of its records on coin-operated phonographs (Ex. 10; 1044-1050; 186)

(6) On or about August 15, 1937, RCAM revised the notice appearing on its phonograph record labels and envelopes (193) so as to restrict the use of its records to "non-commercial use on phonographs in homes" (198-200).

(7) At the same time it entered into agreements with the original purchasers of its records to the effect that the records would not be resold or furnished to others except for this purpose (Ex. 34; 1084-1085) and by appropriate language printed on the phonograph record labels and envelopes, advised all purchasers of records that the "manufacturer and original purchaser have agreed this record shall not be resold or used for any other purpose" (198).

(8) Beginning in October, 1937, RCAM issued some 16 limited licenses to certain radio broadcasting stations permitting them to use certain of its phonograph records for radio broadcast purposes on programs approved by it (Exs. 7, 8, 37; 1037-1043; 1096-1100; 168-171).

(9) On January 4, 1938, RCAM sent to defendant W. B. O. a registered letter (Ex. 32; 1076-1081; 387-388; 394) demanding that said station refrain from the use of its phonograph records for radio broadcast purposes. W. B. O. thereafter expressly requested, but did not obtain, permission to use RCAM's records (Ex. 33; 1082-1083; 400; 403).

This course of conduct in connection with the marketing of RCAM's records militates against any inference of dedication or abandonment. The intent and purpose inherent in the activities of RCAM and the distinct and publicized restrictions surrounding its release of records amply support the conclusion that the publication of its records is limited and only an approved method of partial dedication (*Werckmeister* v. *American Lithographic Co.*, *supra*).

In *International News Service* v. *Associated Press*, 248 U. S. 215 (1918), the Supreme Court recognized the effect

of such partial dedication. There the defendant was restrained from the systematic pirating of news articles from early editions of the papers of Associated Press members since the news embodied therein had not yet lost its commercial value to the public. The Supreme Court, speaking through Mr. Justice Pitney, negated defendant's contention that general release and publication of the news by plaintiff and its members resulted in abandonment and public dedication, stating:

> "Abandonment is a question of intent, and the *entire organization of the Associated Press negatives such a purpose*" (p. 240). (Italics ours.)

Clearly the entire organization of RCAM negatives any intent to abandon by the marketing of its records its entire right to control and restrict the commercial use thereof by radio. Broadcasters, who disseminate the contents thereof to RCAM's potential customers, at great profit to themselves, are not intended to be the recipients of RCAM's rights. RCAM's conduct negatives the inference of any intent to abandon and affirmatively establishes the retention of these rights by limited publication.

Fonotipia Limited v. *Bradley*, 171 Fed. 951 (E. D. N. Y. 1909), contains implicit recognition of the retention of RCAM's common law copyright despite the sale of its records to the public. The court in that case could not have restrained the defendant's manufacture of records made from "dubbed" matrices unless it recognized the existence of plaintiff's rights. It could not have recognized these rights if it felt that they had been dissipated by dedication through public sale of plaintiff's records. We have, therefore, what is tantamount to a direct holding that RCAM makes but a limited dedication of its rights.

Furthermore, it has long been the contention of respected legal historians that publication does not affect

the existence of common law rights in artistic property. *Wheaton* v. *Peters*, 33 U. S. 591 (1834), usually cited as authority for the general rule that common law rights of literary property succumb when the work is first published, does not so hold. That case merely dealt with the displacement of common law copyright by statutory copyright. If the work was copyrightable under the statute, publication killed the common law right. Otherwise, *Wheaton* v. *Peters* is not concerned with the common law copyright in its pristine form. *Holmes* v. *Hurst*, 174 U. S. 82 (1899), explains the basis of the *Wheaton* case as being *Donaldson* v. *Becket*, 4 Burr. 2408, a simple holding that common law copyright yields to statutory copyright. It also declares that the *Donaldson* case and the earlier English case of *Millar* v. *Taylor*, 4 Burr. 2303, however, are established and respected authority for the proposition that common law copyright, unfettered by statutory copyright, is perpetual and survives publication (Drone, Law of Property in Intellectual Productions, pp. 8-53). It is submitted that judicial statements to the contrary, such as are to be found in *Caliga* v. *Inter Ocean Newspaper Company*, 215 U. S. 182 (1909); *Ladd* v. *Oxnard*, 75 Fed. 703 (D. Mass. 1896); *Larrowe-Loisette* v. *O'Loughlin*, 88 Fed. 896 (S. D. N. Y. 1898); *Wagner* v. *Conried*, 125 Fed. 798 (S. D. N. Y. 1903); *Bamforth* v. *Douglass Post Card & Machine Co.*, 158 Fed. 355 (E. D. Pa. 1908); *Jewelers' Mercantile Agency* v. *Jewelers' Weekly Publishing Co.*, 155 N. Y. 241 (1898) and similar cases cited by W. B. O. (W. B. O. Brief, pp. 37-39), are uniformly dicta delivered in cases where the courts were concerned with works copyrightable under the statute and hence were not required to pass on the effect of publication of a work beyond the scope of statutory copyright.

Phonograph records have been placed beyond the pale of statutory copyright. [See *Witmark & Sons* v. *Standard Music Roll Co.*, 221 Fed. 376 (C. C. A. 3, 1915).] If,

as has been demonstrated in RCAM's main brief, the recorder makes an artistic contribution to the record and is entitled to common law copyright therein. that right survives publication is perpetual and is assertable against all the world. Among the resulting benefits is the right to prohibit the public performance of its records by radio or other means.

POINT III.

The legend on the record labels and envelopes constituted a valid and legal servitude.

In November, 1932, RCAM began to place on its record labels the legend "Not Licensed for Radio Broadcast" (Finding 41; 1262). At this time the 1931 agreement with Whiteman was in effect (970) under which all of his rights passed to RCAM (Conclusion 10; 1301). This agreement contained no promise or undertaking by RCAM to place any such legend on its record labels. Notwithstanding this, however, Whiteman now asserts that the legend appearing on the record was intended to be for his benefit (Whiteman Brief, p. 32).

In August, 1937, the legend was expanded by RCAM to read:

> "Licensed by Mfr. Under U. S. Pats. 1625705, 1637544, RE-16588 (& Other Pats. Pending) Only For Non-Commercial Use on Phonographs in Homes. Mfr. & Original Purchaser Have Agreed This Record Shall Not Be Resold or Used For Any Other Purpose. See Detailed Notice on Envelope. RCA Manufacturing Co., Inc., Camden, N. J., U. S. A." (Findings 43, 44; 1262-1265).

Notwithstanding the fact that this new notice expressly stated that the record was licensed *by the manufacturer,*

Whiteman has no difficulty in concluding that this notice also was for his benefit (Whiteman Brief, p. 34). While Whiteman claims the benefit of both these notices, neither of them, says he, could benefit RCAM (Whiteman Brief, pp. 38-39). W. B. O. draws no such fine distinctions but simply claims that the legends on the record labels were entirely ineffective (W. B. O. Brief, pp. 9-16). That Whiteman's argument is untenable appears from the mere statement of it; that W. B. O.'s is unsound, will now be shown. W. B. O. admittedly had express notice of these restrictions (394-395; Finding 46; 1266-1267; Exs. 32, 33; 1076-1083).

Casebooks are replete with approval of the propriety, legality and effectiveness of similar restrictions on personal property. Covenants contained in contracts of sale of steamboats excluding certain territory from the sailing radius of the vessels were enforced [*Oregon Steam Navigation Co.* v. *Winsor*, 87 U. S. 64 (1874); *Dunlop* v. *Gregory*, 10 N. Y. 241 (1851)]. A restriction that asphalt sold to the defendant could not be used outside of New York City without plaintiff's permission was upheld [*Stemmerman* v. *Kelly*, 150 App. Div. 735 (1st Dept. 1912)]. Printing presses were held to be rightfully sold with a restriction on the use to which the vendor could put similar presses [*New York Bank Note Co.* v. *The Hamilton Bank Note Engraving & Printing Co.*, 180 N. Y. 280 (1905)].

These restrictions not only bind immediate parties to the agreement but are valid and enforceable against subsequent holders or sub-vendees. The *New York Bank Note* case, *supra*, recognized the validity of the restriction as against the covenantor's subsequent vendee. In that case a purchaser, whose vendor had bought machines from a manufacturer on condition that similar machines would not be sold to others for the purpose of engaging in his business, enjoined defendant who had

purchased the machinery with notice of the restriction. In *P. Lorillard Co.* v. *Weingarden*, 280 Fed. 238 (W. D. N. Y. 1922), plaintiff had sold cigarettes to defendant's vendor under an agreement that they would be publicly distributed only outside the United States. Defendant, who had knowledge of the restriction, was restrained from selling the articles within the United States. The "ticket scalper" cases, cited in connection with Point IV of this memorandum (*infra*, pp. 28-29), are eminent authority for this general principle [*Bitterman* v. *Louisville & N. R. Co.*, 207 U. S. 205 (1907)]. *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U. S. 175, 587; 305 U. S. 124 (1938), represents recent approval by the Supreme Court of a restrictive covenant which limited the use of a patented vacuum tube to amateur, experimental and home use. The restriction was held valid as against a sub-vendee who had notice of the restricted license.

In *In re Waterson, Berlin & Snyder Co.* v. *Irving Trust Co.*, 48 F. (2d) 704 (C. C. A. 2, 1931), this Court approved restrictive covenants on the use of personal property in the hands of sub-vendees. There a trustee of a bankrupt music publishing firm was prohibited from selling free from petitioner's royalty claims, the copyright to selections theretofore assigned to the bankrupt. The restrictions of the original assignments were held to accompany the copyrights into the hands of purchasers. The opinion of Augustus N. Hand, *J.*, pointing to English authority particularly relevant to the instant case, states:

> "Courts in the United States have enforced rights resembling an equitable servitude binding on a third party who has acquired personal property from one who is under a contract to use it for a particular purpose or in a particular way * * * See *Lord Strathcona Steamship Co.* v. *Dominion Coal Co.*, and the *Werderman case already discussed*" (p. 708).

Werderman v. *Societe Generale d'Electricite,* 19 Ch. D. 246, compelled adherence by the sub-assignee of letters patent to the royalty provisions contained in the agreement of assignment between the patentee and his immediate assignees. The *Waterson* opinion commenting on this holding, says at page 708:

> "The gist of the decision in the *Werderman* case and in the prior case of *DeMattos* v. *Gibson,* 4 DeG. & J. 276, on which that decision largely rested, was that *one who takes property with notice that it is to be used in a particular way receives it subject to something resembling an equitable servitude.*" (Italics ours.)

DeMattos v. *Gibson* had declared the rule to be:

> "* * * where a man by gift or purchase acquires property from another with knowledge of a previous contract, lawfully and for a valuable consideration made by him with a third person, to use and employ the property for a particular purpose and in a specified manner, the acquirer shall not to the material damage of the third person, in opposition to his contract and inconsistent with it, use the property in a manner not allowable to the giver or seller."

Lord Strathcona Steamship Co. v. *Dominion Coal Co. Ltd.,* (1926) A. C. 108, approving the doctrine of these two cases, held:

> "If a man acquires from another rights in a ship which is already under charter, with notice of rights which required the ship to be used for a particular purpose, and not inconsistently with it, then he appears to be plainly in the position of a constructive trustee with obligations which a court of equity will not permit him to violate" (p. 125).

Further authority may be derived from holdings in the patent field. *Dickerson* v. *Tinling,* 84 Fed. 192 (C. C. A.

8, 1897) held that a notice prohibiting the sale of a certain drug within the United States attached to every package of the article gave notice to all remote purchasers and created an enforceable restriction. Likewise, in *Independent Wireless Telegraph Company* v. *Radio Corporation of America*, 269 U. S. 459 (1925), the Supreme Court seems tacitly to have recognized the limiting effect of a label notifying users of amplifiers that the article could be used only for amateur and experimental purposes. At pages 461-2, the Court said:

> "The defendant * * * has bought the same apparatus with the lawful right to use it in the amateur and experimental field only. The apparatus thus bought bears a label with such a limitation on its use."

Nor do the cases cited by W. B. O. (W. B. O. Brief, pp. 9-16) in any wise affect the soundness of the foregoing. These cases deal with price-fixing restrictions or "tying" agreements. As has been stated by this Court, the peculiar and restricted rationale of these cases is

> "that there is a policy forbidding the remote control of resale prices." [*Western Electric Co.* v. *General Talking Pictures Corp.*, 91 F. (2d) 922, 929 (C. C. A. 2, 1937).]

If the restriction be a reasonable one, not contrary to public policy and not designed to fix resale prices or enforce "tying" agreements, a servitude on the subsequent use of chattels or taking of personal property is enforceable against a third person with notice of the agreement embodying the restriction. [See Stone, Equitable Liabilities of Strangers, 28 Col. L. Rev. 291, 310 (1928); Chaffee, Equitable Servitudes on Chattels, 41 Harv. L. Rev. 945 (1928).] Thus, the District Court properly found that the restriction in the instant case did not constitute an unreasonable condition, did not unlawfully restrain trade, and was not contrary to public policy (Conclusion 3; 1296-1297).

POINT IV.

W. B. O. has competed unfairly with RCAM; it has violated no right of Whiteman's except in its use of records made under the 1934 agreement.

This is a test case. Hundreds of radio stations throughout the country are broadcasting phonograph records purchased at nominal cost and broadcast for advertising sponsors at phenomenal profit. Recorders have expended millions of dollars and the time, ingenuity, effort and labor of thousands of men and women in producing and perfecting phonograph records. Until recently, the entire industry staggered under the almost mortal blow delivered by the advent of radio broadcasting. It has recouped some of its losses but faces the combined efforts of broadcasters who wish to purloin its product, displace the musician and yet reach a nationwide audience with advertisements for which its sponsors pay millions of dollars annually. Radio interests seek in state legislatures to emasculate the effect of judicial determinations preventing the free broadcast of phonograph records and otherwise attempt to guarantee the uncontrolled use thereof. Now, they raise the transparent plea that the application to them of well settled equitable doctrines will foster monopoly. Yet, any broadcaster or anyone else with sufficient capital may engage in the phonograph record business [See 11 Air Law Rev. 29, 41-55 (1940)]. They deny that they compete unfairly by deliberately taking a "free ride" on the labor and inventiveness of the recorder (W. B. O. Brief, pp. 16-30).

This nation-wide situation is exemplified by the activities of W. B. O. admitted and proved in this case. W. B. O.'s announcer, Block, stated that it is his typical and long-continued practice to intersperse the playing of records with comments, inflections and interpolations clearly designed to convey the impression that the orchestra or

soloist whose records are being played either were personally present in the studio or that the broadcast emanated from a hotel or restaurant where the orchestra was then engaged. Transcriptions of typical broadcasts were played at the trial (Exs. 42-49; 1143) and, if this court desires, will be produced again. Stenographic reports of a few of Block's broadcasts are embodied in the Transcript (311-356). Block testified that time on his program is sold for $6100 per week for three hours daily (355-358) but W. B. O.'s only contributions are the use of its facilities, the playing of records on phonographs and Block's misleading announcements. Yet, Block glibly excused these practices on the ground that the public gets more enjoyment from imagination than reality (318). Equity, however, condemns such practices.

(A) The Authorities Condemn W. B. O.'s Activities.

The District Court readily found that all parties to this case were engaged in direct competition—*i. e.*, "The business of selling entertainment to the public" (Findings 73-76; 1280; W. B. O. Brief, pp. 29-30). Moreover, even in the absence of such a finding, the authorities support the decree of the District Judge.

The so-called "ticker" cases [*Board of Trade of the City of Chicago* v. *Christie Grain & Stock Co.*, 198 U. S. 236 (1905); *National Tel. News Co.* v. *Western Union Tel. Co.*, 119 Fed. 294 (C. C. A. 7, 1902); *Illinois Commission Co.* v. *Cleveland Tel. Co.*, 119 Fed. 301 (C. C. A. 7, 1902)] have laid the groundwork for equitable protection of "pecuniary" rights in commercial enterprises. There defendants used news gathered by plaintiffs at great expense and disseminated this product for profit in competition with plaintiff. The "ticket-scalper" cases [*Bitterman* v. *Louisville & N. R. Co.*, 207 U. S. 205 (1907); *Pennsylvania Co.* v. *Bay*, 150 Fed. 770 (N. D. Ill. 1906); *Ill. Cent. R. Co.* v. *Caffrey*, 128 Fed. 770 (E. D. Mo. 1904);

Nashville C. & St. L. Ry. Co. v. *McConnell*, 82 Fed. 65 (M. D. Tenn. 1897)] similarly granted protection to a business from the unfair appropriation and use of its fruits by one who had not jeopardized investment or enterprise in its creation. The "trading stamp" cases [*Sperry & Hutchinson Co.* v. *Mechanics' Clothing Co.*, 128 Fed. 800 (D. R. I. 1904); *Same* v. *Louis Weber & Co.*, 161 Fed. 219 (N. D. Ill. 1908)] represent similar rationale applied to prevent the appropriation and sale of cash bonus certificates to defeat the purpose for which they were issued. The seed of departure from the classical concept of unfair competition has been recognized as springing from these cases [*Fonotipia Limited* v. *Bradley*, 171 Fed. 951 (E. D. N. Y. 1909)].

Ultimate recognition of this principle is to be found in the analogous case of *International News Service* v. *Associated Press*, 248 U. S. 215 (1918), whose facts have been stated earlier in this memorandum. News collected at great expense, ingenuity and labor, cannot be taken while it is fresh, and sold for commercial gain. This is unfair competition because, although the news agency may have no rights as against the public, it has rights against its competitor which seeks to purloin its stock in trade. It is but a short step to *Associated Press* v. *KVOS*, 80 F. (2d) 575 (C. C. A. 9, 1935), reversed on jurisdictional grounds, 299 U. S. 269 (1936). There is contained precise recognition that radio broadcasters are guilty of unfair competition if they pirate news, gathered by and offered as the product of another's business endeavors and disseminate it to their listeners without paying its creator or compiler. *Uproar Co.* v. *National Broadcasting Co.*, 81 F. (2d) 373 (C. C. A. 1, 1936), replete with applicable precedent, enjoined plaintiff from the reprint and sale of scripts prepared by a comedian for use in connection with his employer's radio advertisements. The court ordered the cessation of any activity "In any way which injures or interferes with the benefits which the Texas

Co. might derive from its advertising under its contracts with Wynn."

Twentieth Century Sporting Club, Inc. v. *Transradio Press Service, Inc.*, 165 Misc. 71 (N. Y. 1937) contains implicit recognition of the general principle of these cases, when, in enjoining a proposed radio rebroadcast of an accident of a prize fight contemplated without the permission of the promoter, the court stated:

> "By appropriating or utilizing the whole or the substance of the plaintiffs' broadcast the defendants would be enabled to derive profits from the exhibition without having expended any time, labor and money for the presentation of such exhibition. It is to be borne in mind that this exhibition will only be possible as a result of an expenditure of considerable time, labor and money by the plaintiffs. The plaintiffs are entitled to look for recoupment through the grant of exclusive broadcasting privileges. They have taken proper steps to retain these exclusive rights by selling tickets for admission to such exhibition, which tickets contain the following express contract: 'This ticket is sold and purchased and if honored is to be honored upon the express agreement that no motion pictures of the contest herein referred to will be taken and no broadcasting thereof effected by the purchaser or holder of this ticket except as may be authorized by the promoter'" (p. 73).

Pittsburgh Athletic Co. v. *KQV Broadcasting Co.*, 24 F. Supp. 490 (W. D. Pa. 1938), an identical finding on almost identical facts states:

> "The case of *National Exhibition Company* v. *Tele-Flash, Inc.* (D. C. S. D. N. Y. 1936), 24 F. Supp. 488, presents a case somewhat similar to the case at bar. However, we are unable to follow the court's ruling, because we do not believe that the District

Judge correctly interpreted the law as to unfair competition as applicable to cases of this kind" (p. 493).

The attempted refutation of these cases (W. B. O. Brief, pp. 17-25; Whiteman Brief, pp. 40-41) misses the mark. It is contended (a) that an essential element in unfair competition is "palming off" and (b) that relevant cases prevent the extension of equity's protection to this situation because neither patent nor copyright is shown and the public interest will best be served by permitting W. B. O. to take a "free ride" on RCAM's labor and inventiveness. These contentions will not be considered.

(i) *"Palming Off" Is Not a Necessary Prerequisite to RCAM's Equitable Relief.*

Unfair competition is a misnomer since it compels an immediate association in the lawyer's mind with trade mark and trade name cases. Perhaps, an unshackling of these traditional chains would be achieved if the body of relevant law were designated not "unfair competition" but "unfair methods of competition". In any event, it is clear that

> "The right to equitable relief is not confined to cases in which one man is selling his goods as those of another" [*Coca-Cola Co.* v. *Old Dominion Beverage Corp.*, 271 Fed. 600, 604 (C. C. A. 4, 1921)].

And, the Supreme Court has directly refuted any contrary contention in the *International News* case where it stated:

> "It is said that the elements of unfair competition are lacking because there is no attempt by the defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition. • • •

> But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious" [248 U. S. 215, 241-2 (1918)].

Thus, it is clear that "palming off" is not a prerequisite to RCAM's equitable relief [Nims, Unfair Competition (3d Ed. 1936), pp. 1-6], and the cases cited at pages 24 and 25 of W. B. O.'s brief, although sound, are irrelevant.

(ii) *The International News Case Governs the Instant Situation.*

W. B. O.'s argument that the *Cheney, Millinery Guild, Auto-Lite* and *Kaeser* cases compel a reversal of the District Court's judgment is equally without merit (W. B. O. Brief, pp. 17-24). On their facts, these cases are distinguishable and hence irrelevant.

In the *Cheney, Millinery Guild* and *Auto-Lite* cases this Court held that unpatented articles could be imitated with impunity. According to those decisions, anyone may purchase an RCAM phonograph record, play it many times, study the method in which the musical composition is recorded, hire another orchestra to imitate note for note and bar for bar the recorded performance, and then on his own equipment and with his own experts, record the selection. But, he may not purchase that RCAM record and physically *use* it to create a new master record [*Fonotipia Limited* v. *Bradley, supra*]. So, he may not purchase that record and use it for profit in broadcasting its contents to the very persons to whom RCAM sells its records. This Court has specifically stated that "* * * a man's property is limited to the chattels which embody his invention" (*Cheney Bros.* v. *Doris Silk Corporation*, 35 F. (2d) 279, 280), and that

"* * * the public interest is best served by limiting the protection afforded an idea to the particular chattel in which it is embodied" (*Millinery Creators' Guild* v. *Federal Trade Commission*, 109 F. (2d) 175, 177). RCAM contends that such protection be afforded the chattels which embody its labor and inventiveness—its phonograph records.

RCAM does not urge that its *methods* of recording be protected in limbo. Hence, the inapplicability of the *Kaeser* and *Affiliated Enterprise* cases cited by W. B. O. Nor does it contend that the copyright law protects a *title* to any of its works (*Gotham Music* and *Atlas Mfg. Co.* cases). It does not urge, as is apparent from the discussion above, that no one may *imitate* its records (*Crump* and *Bamforth* cases). It does, however, insist that its records cannot *physically* be used against their creator and that such use is an unfair method of competition which this Court, under well-defined equitable principles, will prevent. (*International News Service* v. *Associated Press; Associated Press* v. *KVOS; Uproar Co.* v. *National Broadcasting Co.; Pittsburgh Athletic Co.* v. *KQV Broadcasting Co.; Twentieth Century Sporting Club, Inc.* v. *Transradio Press Service, Inc.*, all *supra*.)

(B) RCAM Has Been Damaged by W. B. O.'s Actions.

In line with the authorities cited by W. B. O. (W. B. O. Brief, pp. 25-26), RCAM, although seeking no award of money damages, proved that injury was suffered by it as a direct and proximate result of W. B. O.'s actions.

Darnell testified, despite a general improvement in business conditions after the depression years (1231-1233), that record sales decreased as broadcasts increased (1234). The constant repetition of musical selections over the air, played as in the instant case, at the request of listeners (104; 119), obviously sates the desire of the public for the recorded selection and for the artist.

Samuel Tabak, a witness for the defendant Whiteman, testified to the drastic effect of radio broadcast of phonograph records upon recording artists. Records embodying their performances when used by radio stations such as W. B. O. create competition with their "live" services. (910-912). On cross examination, Tabak pointed to the very crux of the damage suffered by RCAM as a result of the radio broadcast of its records. Artists, he said, refused to record because of this practice (932-933).

Fred Waring, nationally known orchestra leader, also called as a witness in behalf of Whiteman (935) stated that, although he had previously recorded for RCAM (936) he now refuses so to do because of the self competition engendered by radio broadcast of his recorded selections (944-947).

Lawrence Morris, RCAM's Vice-President and General Counsel (127) elaborated upon and showed the general effect of the conditions touched upon by Tabak and Waring. He named a few of the many outstanding artists who have refused to contract with RCAM because they fear the detrimental effect of promiscuous radio broadcast of their recorded renditions (609-610). Among these artists are Edgar Bergen, Shirley Temple, Arturo Toscanini, and Josef Hofmann (610). Indeed, he testified, because of the extensive record broadcasts, the American Federation of Musicians, as of September 15, 1938, raised the union scale for recording musicians 110% over former rates (610-611), the reason therefor being assigned to Mr. Morris by Mr. Joseph N. Weber, president of that labor organization during the course of meetings (955-960), admittedly not attended by Tabak (929-930), who questioned the veracity of Morris, a member of the Bar of this Court.

W. B. O. infers from the fact that RCAM advertises its products by radio, that radio broadcast universally aids the sale of records (W. B. O. Brief, p. 27). The fallacy of such an argument is patent. There is obviously a great difference between the controlled distribution of samples of an advertiser's wares, and an uncontrolled

distribution of all of its wares. The evidence clearly shows that uncontrolled repetition of records sates the public's desire for RCAM's recorded musical selections since they can readily hear its records *ad nauseam* without the necessity of purchasing them.

From the evidence, the District Court as the fact finding body properly found

> "The use of phonograph records for radio broadcasting purposes is damaging to complainant's business because (a) it shortens the period during which records so used are saleable to the public; and (b) it deprives complainant of the opportunity to make recordings of the performances of certain of the popular recording artists who object to such use of phonograph records embodying their performances" (Finding 108; 1294-1295).

POINT V.

W. B. O. deliberately induced RCAM'S original purchaser and wholesaler to violate the terms of its agreement to sell records only for non-commercial use in homes.

Despite the attempt to "whitewash" the actions of W. B. O. (W. B. O. Brief, pp. 43-45), the evidence clearly showed that RCAM exacted an agreement from its wholesale distributor, Bruno-New York, Inc., that the latter would resell records only for non-commercial use on phonographs in homes (Ex. 34; 1084-1085); W. B. O. knew of this agreement (Exs. 32, 33; 1076-1083; 103; 118; 304); nevertheless, W. B. O.'s representative, Block, acquired RCAM records each week from Bruno-New York, Inc. by special messenger (361-362); he did not pay retail prices for these records but got a discount (304); his payments were made through a retailer, Commodore Music Shop (363). The transparency of this arrangement, designed to violate evasively the agreement

between RCAM and Bruno-New York, Inc., was obvious to the District Court which concluded that W. B. O. had "knowingly and wilfully procured and induced Bruno-New York, Inc. to breach the provisions of its agreement with complainant * * *" (Conclusion 18; 1306-1307).

Adopting the criteria laid down by this court in *Bobbs-Merrill Co.* v. *Straus*, 147 Fed. 15, 27 (C. C. A. 2, 1096), RCAM has thus proved that W. B. O. "* * * persuaded * * * other persons to violate (the) contract with complainant"; that Bruno-New York, Inc. "* * * assented to the terms of the notice or agreed that the absolute title acquired by a sale should be converted into a qualified or restricted title"; and that W. B. O. "* * * purchased their copies from purchasers from complainant".

Such deliberate procurement of a breach of contract has long been condemned [*Lumley* v. *Gye*, 2 El. & Bl. 216; *Heath* v. *American Book Co.*, 97 Fed. 533 (D. W. Va. 1899); *Sperry & Hutchinson Co.* v. *Mechanics' Clothing Co.*, 128 Fed. 800 (D. R. I. 1904)]. Nor do the holdings of the *Sanatogen* case, 229 U. S. 1 (1913) and the *Apollinaris Co.*, *Hartman*, *Dr. Miles Medical Co.* and *Ethyl Gasoline Corp.* cases cited by W. B. O. (W. B. O. Brief, pp. 44-45), prevent their instant application. As has been demonstrated (*supra*, p. 26), these cases deal with the larger question of public policy. They outlawed the price-fixing agreements contained in the contracts there involved. In the instant case, no public policy is violated [*General Talking Pictures Corp.* v. *Western Electric Co. Inc.*, 304 U. S. 175, 305 U. S. 124 (1938)]. Consequently, the general principle, enunciated in cases such as *Wells & Richardson Co.* v. *Abraham*, 146 Fed. 190 (E. D. N. Y., 1906), although inapplicable to price-fixing cases, remains in full force and effect and will be invoked to enjoin W. B. O.'s deliberate inducement of Bruno-New York, Inc. to violate its agreement with RCAM.

POINT VI.

The District Court properly received evidence of and ruled upon the acts of W. B. O. which violated RCAM'S rights even though those acts were committed after the bill of complaint was filed.

W. B. O. and Whiteman both contend that their rights have been invaded because RCAM was permitted to introduce evidence of W. B. O.'s broadcasts of records which took place after the time when the bill of complaint was filed (W. B. O. Brief, pp. 45-47; Whiteman Brief, p. 39). These are the facts.

The bill of complaint herein stated, in paragraph 22 (32):

> "That as an important part of the radio programs of said station WNEW defendant, W. B. O. Broadcasting Corporation, *uses or causes to be used phonograph records* produced by complainant and/or its predecessors." (Italics ours.)

Thereafter, W. B. O. demanded a bill of particulars requesting that RCAM set forth license agreements concerning each and every selection Whiteman had recorded for RCAM. Whiteman had recorded almost four hundred selections for RCAM under the 1924, 1931 and 1934 agreements (156; 160-161). Obviously, it would have been a waste of time, energy and good paper to set forth each of these license agreements. License agreements of the nine relevant Whiteman selections were set forth (Exs. B1-B9; 1172-1230). Perhaps, the language of the affidavit in opposition to the motion for a bill of particulars (82) was unfortunate; but, what is most important, W. B. O. *did not rely upon it.*

RCAM then determined that it would introduce evidence of W. B. O.'s broadcasts of records embodying performances of RCAM artists other than Whiteman. This

it had a perfect right to do under the pleadings above discussed. Hence, on November 1, 1938, *six weeks* before the trial (121), RCAM requested that W. B. O. admit having broadcast certain additional designated records (95-115). W. B. O., on November 14, 1938, *one month* before the trial, made these admissions. Presumably, it had some inkling of the scope of RCAM's prospective proof at the trial. It demanded no further bill; for, indeed, it had all the information it desired. Its next move was to default at the trial (124).

It is well established that equity will consider all evidence of relevant facts occurring down to the date of trial and will grant relief accordingly [*Madison Ave. Baptist Church* v. *The Baptist Church in Oliver Street*, 73 N. Y. 82 (1878); *Pond* v. *Harwood*, 139 N. Y. 111, 120 (1893); *Sherman* v. *Foster*, 158 N. Y. 587, 593 (1899); *Russell H. & I. M. Co.* v. *Utica D. F. & T. Co.*, 195 N. Y. 54 (1909); *Gerow* v. *Village of Liberty*, 106 App. Div. 357 (1905); *Baumann* v. *City of New York*, 180 App. Div. 498 (1917); *Thompson* v. *Fort Miller Pulp & Paper Co.*, 111 Misc. 477 (1920); *DeMille* v. *Casey*, 115 Misc. 646 (1921)]. Nor does the fact that W. B. O. elected to fail to defend at trial detract in any measure from the application of this principle. [See Federal Rule 54 (C); Federal Rules of Civil Procedure and Proceedings of the American Bar Association Institute, p. 322; N. Y. C. P. A., § 479 (upon which Rule 54 (C) is based).]

Consequently, the District Court properly received evidence of broadcasts subsequent to the date of the complaint and rightly included these broadcasts, admittedly representative of a general practice (351-352), in the findings, conclusions, and judgment.

CONCLUSION.

The relief requested in RCAM'S main brief should be granted.

Respectfully submitted,

DAVID MACKAY,
Solicitor for Complainant-Appellant and Appellee, RCA Manufacturing Company, Inc.

DAVID MACKAY,
LAWRENCE B. MORRIS,
JEROME H. ADLER,
Of Counsel.

Exhibit "A".

UNITED STATES OF AMERICA

FEDERAL COMMUNICATIONS COMMISSION

Washington, D. C., January 3, 1939.

I hereby certify that the records of the Federal Communications Commission show that the first radio broadcasting station in the United States was licensed on September 15, 1921, and further show that on the dates set forth below the following number of stations was licensed:

December	31,	1921— 30
June	30,	1922—382
June	30,	1923—573
June	30,	1924—530
June	30,	1925—571
June	30,	1926—528
June	30,	1927—681
June	30,	1928—677
June	30,	1929—606
June	30,	1930—618
June	30,	1931—612
June	30,	1932—604
June	30,	1933—598
June	30,	1934—594
June	30,	1935—623
June	30,	1936—656
June	30,	1937—704
June	30,	1938—743

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Federal Communications Commission to be affixed, this third day of January, 1939.

(signed) T. J. SLOWIE
Secretary.

(Federal Communications Commission Seal Affixed)